



**Office of the Washington State Auditor
Pat McCarthy**

March 21, 2018

Board of Commissioners
Kitsap County Consolidated Housing Authority, dba Housing Kitsap
Silverdale, Washington

Management Letter

This letter includes a summary of specific matters that we identified in planning and performing our financial statement audit of Housing Kitsap from July 1, 2016 through June 30, 2017. We believe our recommendations will assist you in improving the Authority's compliance in these areas.

We will review the status of these matters during our next audit. We have already discussed our comments with and made suggestions for improvements to Authority officials and personnel. If you have any further questions, please contact me at (360) 895-6133.

This letter is intended for the information and use of management and the governing body. However, this letter is a matter of public record and its distribution is not limited.

We would also like to take this opportunity to extend our appreciation to your staff for the cooperation and assistance given during the course of the audit.

Sincerely,

Carol Ehlinger, Audit Manager

Attachment

Management Letter
Kitsap County Consolidated Housing Authority (dba Housing Kitsap)
July 1, 2016 through June 30, 2017

Close out of 502 Borrower Loans

The U.S. Department of Agriculture (USDA) Rural Development Program requires grantees to receive an annual audit (Instruction 1944-I 1944.422). USDA has provided additional guidance for Washington recipients through a Procedure Notice that requires grantees to close out 502 borrower accounts within 90 days of the loan being converted to permanent. The grantee must retain strong supporting documentation in the loan docket for accounts taking longer than 90 days to close.

We noted noncompliance with the above requirements during our prior audit and recommended the Housing Authority meet these requirements. During the current audit, we followed up on this recommendation, reviewing six borrower loans with move-in dates during our audit period. Four of the six were not closed out within 90 days; two of these were still open as of February 15, 2018, which is six months beyond the 90-day requirement. Additionally, loan dockets did not contain supporting documentation to explain why the loans were not closed.

We continue to recommend Housing Kitsap ensure 502 borrower loans are closed promptly or keep supporting documentation regarding the delay in the loan docket in accordance with Rural Development requirements.